



Hog Margin Outlook

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Thursday, April 10, 2014

Hog Prices: ↑ ↓ Soymeal: ↓
Corn: ↔ CDN Dollar: ↑

| US Slaughter | |
|---|-------------------------|
| 411,000 | Wednesday |
| 399,000 | Wednesday (year ago) |
| W. Corn Belt | \$124.15 |
| National Price | \$126.12 |
| Daily Sig 3 | \$248.12 |
| Daily Sig 4 | \$244.08 |
| Thunder Creek | \$247.76 |
| 4-Month Fwd. | \$222.96 |
| B of C Ex. Rate (Noon) | |
| \$1.0903 CAD/ \$0.9171 USD | |
| Cash Prices Week Ending April 04, 2014 | |
| Signature 3 | 117.68/259.44 |
| Signature 4 | 113.31/249.81 |
| h@ms Cash | 112.63/248.31 |
| Hylife | 112.51/248.05 |
| Thunder Creek | 118.25/260.70 |
| ISO Weans | \$91.41 US Avg. |
| Feeder Pigs | \$139.14 US Avg. |
| #1 Export Sows (+500lbs) | \$91.50 cwt. |

Forward contract prices opened mixed this morning. Cash hog bids were firm in yesterday's trade, despite weaker wholesale pork values. Packers are struggling to find equilibrium between their production schedule and their bids in this volatile market, but have been disciplined in keeping fresh pork margins on the positive side of the ledger. The question that most traders are grappling with is to what degree was the rally in hog prices over the last two months fuelled by speculation and stockpiling. There is no doubt that tight supplies have provided strong rationale for firmer pork prices, but does it explain a pork cut-out value that is trading 65% higher than year ago levels. Lean Hog futures are obviously struggling with this question as reflected by yesterday \$6.00/cwt price range in the summer month contracts. There has been talk of significant selling by the large speculators holding a record large long position in Lean Hogs, with tomorrow's Commitment of Traders report expected to provide support to this idea. Futures are taking back some of yesterday's gains, after most summer month contracts finished the day locked limit up.

Canadian delivered soymeal prices opened lower this morning. Initial strength followed yesterday's WASDE report after record low ending stocks, now estimated to be 135 million bu., was announced. Strong demand, S. American product that is slow to come to market, and cancellations that did not materialize have all been supportive for the old crop. New crop projections are somewhat bearish noting higher world stock estimates and an expectation that US farmers will plant record acres of beans this year, but sustained strength is expected for the old crop trade.

Canadian delivered corn prices opened even this morning. US corn futures are trading lower. On a fundamental level, yesterday's WASDE report is considered bullish in the sense that ending stock numbers were revised lower amid decent demand. However, ~1.3 billion bu. is still a very large ending stock number and technical traders admit that it will be difficult for corn to push higher with ending stocks that large. As well, there is still an expectation that 185 million bu. could be 'added' to the balance sheet once the EPA releases ethanol mandate revisions.

| Fixed Forward Range | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Maple Leaf Sig. #3 | | 228.45 235.96 | 232.46 237.97 | 225.31 232.84 | 206.44 226.02 | 189.88 198.41 | 186.12 192.63 | 159.51 167.53 | 165.02 167.53 |
| Maple Leaf Sig. #4 | | 223.07 229.27 | 225.20 231.21 | 218.96 226.55 | 205.84 220.42 | 186.40 200.59 | 185.18 188.29 | 160.00 170.68 | 165.05 168.64 |
| Soymeal Winnipeg Delivered | 620 | 625 | 625 | 627 | 627 | 627 | | | |
| Corn Winnipeg Delivered | 191 | 195 | 195 | | | | | | |

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